



REEDLEY CITY COUNCIL

- ☐ Consent
- ☐ Regular Item
- ☐ Workshop
- ☐ Closed Session
- ☐ Public Hearing
- ☒ Receive/Review

ITEM NO: 12

DATE: April 11, 2023

TITLE: RECEIVE, REVIEW, AND FILE THE QUARTERLY INVESTMENT REPORT FOR 3rd QUARTER ENDING MARCH 31, 2023 FOR FISCAL YEAR 2022-23

SUBMITTED: Paul A. Melikian, Assistant City Manager 

APPROVED: Nicole R. Zieba, City Manager

RECOMMENDATION

That the City Council receive, review, and file the Quarterly Investment Report for 3rd Quarter Fiscal Year 2022-23, ending March 31, 2023, as required by the City's Investment Policy last adopted on January 10, 2023. No action is required other than to receive, review, and file the report.

EXECUTIVE SUMMARY

Portfolio earnings, net of fees, for 3rd quarter ending March 31, 2023 total \$25,292, reflecting an improved year to date position over last quarter of (\$182,561). The prior 3rd quarter net portfolio earnings for the same 12-month period one year ago were (\$684,811). Over the last 15 months, rapidly rising interest rates and market volatility have led to reduced interest earnings; however, as the portfolio begins to reinvest in higher earning vehicles, interest earnings are beginning to recover. The current year Adopted Budget only assumes \$47,225 in interest earnings for the entire fiscal year; therefore, staff anticipates meeting or exceeding this estimate by June 30, 2023. It should be noted that no loss of principal has occurred during this time period as all investments are held to maturity. In other words, the negative interest earnings are not actually realized by the City as the investments are marked to market value as of the close of the quarter, and the losses would only be realized if the investments were actually sold/divested on that date.

The Federal Reserve is continuing to tighten monetary policy, with continued interest rate hikes to curb rampant inflation. Over the long term, as interest rates rise, the City will be able to re-invest at higher rates and anticipates better portfolio performance. Recently, the City worked with one of its depositories, Five Star Bank, to increase the interest rate paid on idle funds held there. In addition, on January 10, 2023, the City Council approved an amendment to the City's Investment Policy that will allow the California Asset Management Program (CAMP) as a permissible investment option for a portion of the City's idle funds. Staff have since invested \$13,058,348 of its idle funds in CAMP as of April 4, 2023, and the current yield is 4.94%.

The attached investment/pooled cash report shows additional detail for cash balances by City fund. The 'treasury pool' for the City, representing the cumulative balance of all funds, totals \$28,509,607 as of March 31, 2023, which is \$2,307,803 higher than last quarter ending December 31, 2022. The treasury pool from the same 12-month period one year ago was \$25,077,889 as of March 31, 2022.

All financial investment instruments are constantly monitored and assessed for safety, liquidity and yield. It is important to note that the City's principal value of these investments are secure at all times, and the values that are being reported are the market values at a specific point in time. All investments in the portfolio are in compliance with the City's current Investment Policy, and staff does not anticipate any

issues with regard to the City's ability to meet expenditure requirements for the next six months. (Government Code section 53646)

BACKGROUND

The cash balances in the funds are at a point in time only, and do not reflect pending receivable or payable amounts. All financial investment instruments are constantly monitored and assessed for safety, liquidity and yield. The City's idle funds are currently in principal safe investments that protect its pooled cash, such as a money market account at Five-Star Bank, rolling Certificates of Deposit through Multi-Bank Securities in various FDIC insured accounts, and the Central San Joaquin Valley Risk Management Authority investment pool, managed by Chandler Asset Management.

On January 10, 2023 the City Council approved the annual statement of investment policy. The policy includes a self-imposed, 'best practice' reporting requirement to implement a Government Finance Officers Association (GFOA) recommendation that an agency's investment policy explicitly require periodic reporting. The attached Pooled Cash Report for the end of 3rd quarter fiscal year 2022-23 shows cash balances/market value and interest earnings for every cash account and investment vehicle as of March 31, 2023. It is important to note that the pooled cash report also includes restricted funds such as American Rescue Plan Act funds, final remaining unused/'frozen' RDA bond proceeds, deposits in trust, funds held for groundwater treatment, and RDA Successor Agency funds. Full account statements for all accounts are on file with the Administrative Services Department and available for inspection at any time.

Cash balances are pooled for investment and banking purposes, as it is not practical to have separate investment accounts for each City fund. Interest earnings are apportioned to each City fund based upon the percentage that a particular fund balance makes up of the total. For instance, if the City's General Fund balance was 10% of the total cash balances of the City, it would be credited with 10% of the investment interest earnings for the period.

ATTACHMENTS

3rd Quarter Fiscal Year 2022-23 Investment/Pooled Cash Report

POOLED CASH REPORT

March 2023

	ACTUAL CASH BALANCE OR PORTFOLIO MARKET VALUE	2022-23 FYTD INTEREST EARNINGS
PETTY CASH / CASH REGISTERS	\$ 6,000	\$ -
LAIF - LOCAL AGENCY INVESTMENT FUND (ACCOUNT CLOSED 2023-24)	\$ -	\$ 14
MECHANICS BANK CHECKING ACCOUNTS (OPERATING & PAYROLL)	\$ 2,197,363	\$ -
CHANDLER ASSET MANAGEMENT PORTFOLIO (ACCOUNT CLOSED 2023-24)	\$ -	\$ (42,638)
CAMP - CALIFORNIA ASSET MANAGEMENT PROGRAM	\$ 12,058,348	\$ 57,348
MBS - MULTI BANK SECURITIES PORTFOLIO	\$ 9,906,204	\$ (116,880)
FIVE STAR BANK MONEY MARKET	\$ 4,340,692	\$ 133,529
FIVE STAR BANK PUBLIC DONATION CHECKING ACCOUNT	\$ 1,000	\$ -
ACTUAL FYTD TOTAL CASH ~ ALL FUNDS	\$ 28,509,607	\$ 31,373

2022-23 ALL FUNDS COMBINED ACTUAL FYTD INTEREST EARNINGS	\$ 31,373
2022-23 ALL FUNDS COMBINED ACTUAL FYTD BANK FEES	\$ (6,080)
2022-23 ALL FUNDS COMBINED NET ACTUAL BANK INTEREST	\$ 25,292
2022-23 ALL FUNDS COMBINED BUDGETED INTEREST EARNINGS	\$ 47,225
2022-23 PERCENTAGE OF ACTUAL NET YTD INTEREST EARNINGS TO BUDGET	53.557%

Prior Fiscal Year Comparison - Same Period

2021-22 ALL FUNDS COMBINED ACTUAL FYTD INTEREST EARNINGS	\$ (676,900)
2021-22 ALL FUNDS COMBINED ACTUAL FYTD BANK FEES	\$ (7,911)
2021-22 ALL FUNDS COMBINED NET ACTUAL BANK INTEREST	\$ (684,811)
2021-22 ALL FUNDS COMBINED BUDGETED INTEREST EARNINGS	\$ 67,550
2021-22 PERCENTAGE OF ACTUAL NET YTD INTEREST EARNINGS TO BUDGET	-1013.784%

POOLED CASH REPORT

March 2023

FUND	FUND NAME	CASH BALANCE
001	General Fund	\$ 1,757,550
002	General Fund Reserve Set Aside	\$ 3,157,921
003	Public Safety Sales Tax	\$ 979,693
005	Gas Tax	\$ (49,899)
006	General Fund Capital Set Aside	\$ 900,738
007	Street Projects Federal and State Funding	\$ (83,361)
010	LTF - Article 3 Sidewalks	\$ 45,087
011	LTF - Article 8 Streets	\$ 1,191,960
014	FCTA - Flexible Funding	\$ 770,380
015	FCTA - Americans with Disabilities Act (ADA)	\$ 5,148
016	FCTA - Street Maintenance	\$ 1,178,815
017	FCTA - Pedestrian and Trails	\$ 284,659
018	FCTA - Bike Facilities	\$ 71,504
022	SB2 Planning	\$ (45,909)
023	Road Repair Accountability Act	\$ 859,767
024	Community Development Block Grant (CDBG)	\$ 22,726
025	American Rescue Plan Act (ARPA)	\$ 2,711,531
027	Senior Nutrition FMAAA Program	\$ (15,773)
029	Public Education and Governmental Access (PEG)	\$ (3,711)
030	Landscape Lighting and Maintenance District	\$ 172,650
032	Community Facilities District	\$ (100,720)
034	Streetscape	\$ 27,824
038	Prop 68 Park Bonds	\$ (149,271)
041	Airport	\$ (15,418)
047	Groundwater Treatment	\$ 1,467,849
048	Water Rate Stabilization	\$ 157,469
049	Water Capital	\$ 813,517
050	Water	\$ 751,467
051	Sewer Capital	\$ 2,717,492
052	Sewer	\$ 2,500,557
053	Solid Waste	\$ 251,301
060	Equipment Shop ISF	\$ (73,135)
065	Dental Benefit ISF	\$ (856)
068	HR ISF	\$ (56,250)
073	Deposits in Trust	\$ 257,932
075	COPS Program	\$ 96,786
078	CASp Certification	\$ 32,500
080	City Bond Funds	\$ 106,251
082	Blighted Properties	\$ 54,911
100	DIF - Transportation	\$ 1,614,103
102	DIF - Law	\$ 34,521
103	DIF - Fire	\$ 217,856
104	DIF - Storm Drain	\$ 1,379,116
105	DIF - Wastewater Facilities	\$ 916,652
109	DIF - Parks & Recreation Facilities	\$ 473,581
110	DIF - General Government Facilities	\$ 32,141
111	DIF - Water Facilities	\$ 529,687
896	RDA Successor Low and Moderate Income Housing	\$ 70,032
897	RDA Successor Retirement	\$ 490,236
All Funds - Cash Total		\$ 28,509,607